

Message Text

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PAGE 01 STATE 167961
ORIGIN EA-12

INFO OCT-01 ISO-00 SS-15 EB-08 EUR-12 STR-07 ACDA-12
CIAE-00 INR-10 IO-13 L-03 NSAE-00 NSC-05 NRC-05
OES-07 SOE-02 DODE-00 DOE-15 SP-02 CEQ-01 TRSE-00
/130 R

DRAFTED BY EA/J:HACOCCHRAN
APPROVED BY EA/J:NPLATT
E:JWILSON
ENERGY:GHELFRICH
TREASURY:F:PTAYLOR
TREASURY:IMM:ERASMUSSEN
DESIRED DISTRIBUTION
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-----004181 020334Z /61
R 012303Z JUL 78
FM SECSTATE WASHDC
TO AMEMBASSY TOKYO

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E.O. 11652: N.A.

TAGS:EFIN, ENRG, ETRD, JA, US

SUBJECT:ADVANCED PAYMENT FOR URANIUM ENRICHMENT SERVICES

REF: (A) TOKYO 9589 (B) STATE 160078 (C) TOKYO A-150

1. SUMMARY. GOJ TEAM HAD GOOD 3-DAY VISIT AND WE
NARROWED DOWN MAIN PROBLEM AREAS TO TWO: A) WHO WILL SIGN
THE MEMO OF UNDERSTANDING (MOU) SETTING UP THE TREASURY
ACCOUNT AND B) THE INTEREST RATE TO BE PAID ON THE FUNDS
DEPOSITED. THE DOE "CONTROL" ISSUE WAS RESOLVED
WITHOUT SERIOUS PROBLEM. ACTION REQUESTED: REQUEST
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PAGE 02 STATE 167961

EMBASSY EXPLORE AND REPORT ON HOW JAPANESE SIDE PLANS TO
PUT TOGETHER AND FINANCE THE DEAL. END SUMMARY.

2. GOJ TEAM MET WITH US SIDE FOR 3 DAYS OF MEETINGS
JUNE 26-28. MEETINGS FOCUSSED ON DRAFT MEMO OF
UNDERSTANDING SETTING UP A "DEPOSIT FUND ACCOUNT" AND
A DRAFT LETTER FROM ENERGY GIVING ASSURANCES ON THE

QUESTION OF "CONTROL" OF THE ENRICHED URANIUM TO BE

ALLOCATED TO THE JAPANESE SIDE.

3. MAJOR ROADBLOCK IS QUESTION OF WHO WILL SIGN MOU ON JAPANESE SIDE. BASED ON PAST LEGAL/ADMINISTRATIVE INTERPRETATIONS, TREASURY PRACTICE IS TO SET UP SUCH INTEREST BEARING ACCOUNTS ONLY FOR GOVERNMENT AGENCIES AND NOT FOR PRIVATE FIRMS. TREASURY HAS AGREED TO STUDY LEGAL/ADMIN ASPECTS OF THE QUESTION AND GET A LEGAL/POLICY DECISION (FROM GENERAL COUNSEL MUNDHEIM AND UNDERSECRETARY SOLOMON) ASAP. WE CAN NOT SAY WHAT DECISION WILL BE UNTIL STUDY DONE, BUT TREASURY RECALLS THAT IT HAS SET UP NO SUCH ACCOUNTS FOR PRIVATE FIRMS IN THE PAST. GOJ HAS OFFERED TO PROVIDE "SIDE LETTER" OR "RECORD OF DISCUSSION" GIVING ASSURANCES THAT IT WOULD USE "BEST EFFORTS" TO "GUIDE" SIGNATORY FIRMS TO CARRY OUT TERMS OF THE MOU. GOJ AGREED TO "CONSIDER" TREASURY QUERIES AS TO WHETHER GOJ COULD BE MENTIONED IN PREAMBLE OF MOU AND COULD SIGN AS A "WITNESS"

TO THE DOCUMENT, BUT SAITO OF MOFA STRONGLY INSISTED THAT GOJ HAD NO LEGAL BASIS TO SIGN MOU ACCORDING TO EXHAUSTIVE GOJ LEGAL RESEARCH ON THIS POINT PRIOR TO TEAM'S WASHINGTON VISIT. HOWEVER, GOJ DID AGREE TO CONTINUE TO STUDY MATTER TO SEE IF THERE WERE OTHER LIMITED OFFICIAL USE

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PAGE 03 STATE 167961

ALTERNATIVES FOR GOJ TO PARTICIPATE.

4. INTEREST RATE. SO AS TO BE FISCALLY NEUTRAL, TREASURY OFFERED A FLEXIBLE INTEREST RATE OF THE FEDERAL FUNDS RATE LESS 25 BASIS POINTS (0.25 PCT). WHEN GOJ "STRONGLY REQUESTED" TREASURY TO OFFER A FIXED RATE, TREASURY OFFERED 6.0 TO 6.5 PCT. AT A LATER SESSION, UNDER INSTRUCTIONS FROM TOKYO, GOJ ASKED FOR A FIXED RATE IN THE RANGE OF 6.5 TO 7.0. IT SHOULD BE POSSIBLE TO REACH AGREEMENT ON THIS ISSUE SOON.

5. "CONTROL". DOE'S DRAFT LETTER OF ASSURANCE WAS AGREED ON AFTER A FEW WORDING CHANGES. THE DOE LETTER WILL ASSURE THAT THE QUANTITY OF SEPARATIVE WORK CORRESPONDING TO THE AMOUNT OF PREPAYMENT WILL BE ALLOCATED TO THIS ARRANGEMENT AND THAT ADEQUATE BOOKKEEPING RECORDS WILL BE MAINTAINED AND PROVIDED REGULARLY. IT ALSO PROVIDES DOE WITH SOME FLEXIBILITY IN THE CASE OF CERTAIN CONTINGENCIES. WE HAVE NOT YET AGREED TO WHOM THE LETTER SHOULD BE ADDRESSED, WHICH IS PART OF LARGER ISSUE OF WHO WILL BE THE JAPANESE PARTICIPANT.

6. BALANCE OF PAYMENTS ACCOUNTING. WHEN INFORMED THAT TITLE TO THE MONIES IN THE ACCOUNT WOULD STILL BELONG TO THE JAPANESE SIDE UNTIL DRAWN DOWN BY THE DOE FOR SERVICES DELIVERED, GOJ TEAM SEEMED CONCERNED THAT TRANSACTION WOULD NOT HAVE DESIRED EFFECT ON THEIR CURRENT ACCOUNT BALANCE. OUR EXPERTS SAY, HOWEVER, THAT EFFECT ON THE JAPANESE CURRENT ACCOUNT (THEIR MAIN AREA OF CONCERN) IS NOT DETERMINED SOLELY BY OWNERSHIP OF THE DEPOSIT ACCOUNT. JAPANESE SIDE UNDERSTANDS THAT UNDER U.S. BALANCE OF PAYMENTS ACCOUNTING PROCEDURES, THERE WILL BE NO INITIAL EFFECT ON CURRENT ACCOUNT NO MATTER WHO "OWNS" THE DEPOSIT.

7. ACTION REQUESTED. REQUEST EMBASSY REPORT ON LIMITED OFFICIAL USE

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PAGE 04 STATE 167961

(A) INTEREST RATE JAPANESE UTILITIES WILL PAY ON THE FUNDS THEY BORROW FOR ADVANCED PAYMENT. (WE UNDERSTOOD THAT FUNDS WOULD COME FROM JAPAN EXIMBANK'S SPECIAL IMPORT PROGRAM DOLLAR FINANCING (REF A) AND THAT INTEREST

RATE PAYABLE WAS 6 PCT OR, "IN THE CASE OF ITS BEING RECOGNIZED AS HAVING HIGH POLICY IMPORTANCE, IT CAN BE LOWERED TO 5 PCT, UPON CONSULTATIONS WITH THE FINANCE MINISTER" (REF C)).

(B) ANY FURTHER DETAILS OF HOW JAPANESE SIDE PLANS TO PUT TOGETHER AND FINANCE THIS TRANSACTION.

(C) EMBASSY ASSESSMENT OF GOJ'S LEGAL CAPACITY TO SIGN OR BE A PARTY TO THE MEMO OF UNDERSTANDING. VANCE

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Message Attributes

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Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Date: 20 Mar 2014
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Disposition History: n/a
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ISecure: 1
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